

## Cashless Payments at the Bolzano Fairs, 1630s to 1850

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“The Bolzano fairs, as exchange fairs, had a longer and more significant history even than they did as commercial fairs.” This thesis by John J. McCusker and Cora Gravesteijn (1991, p. 145) seems, in a very pointed and slightly provocative way, to turn our received wisdom on the Bolzano fairs upside down. Whilst the traditional approach has been to view the increased level of exchange and cashless transactions handled on the Bolzano fairs during the later middle Ages and the Early Modern period as caused by the commodity trades, the aim of the present paper is to challenge this position. It is not the commodity trades but rather the volume of cashless transactions, which will be the topic of the present examination, as well as the questions of the role and place of the Bolzano exchange fairs within the European network of commercial fairs on the one, as well as the international payments mechanism on the other hand.

Previous works on the Bolzano fairs have dealt with the aspects of finance and the settling of international payments only cursorily at best. Only within the works of Giulio Mandich can we find a rudimentary analysis of the Bolzano exchange market, yet with regard to a comparatively short period in time, i.e. 1630-1664, or the restructuring and re-organization of the Bolzano market and Tyrolean independence in 1664. Moreover, Mandich’s work is marred by several weaknesses, mainly regarding coverage and content. But apart from Mandich’s studies there is not a single volume that would cover the problem of the commercial integration of the Bolzano fairs into the European system of payments and cashless transactions in entirety and over the longer run. Thus there is a considerable gap in the literature regarding trends and development in European cashless transactions, in particular since Bolzano, the financial centre of the Alps, was at the hub of international exchange and finance, located as an intermediary between the central European on the one, and the Mediterranean economies on the other hand. This is particularly striking since the quantitative and qualitative source endowment for the Bolzano fairs is remarkably high, particularly if compared to other European financial places in the sixteenth and seventeenth centuries. There is a virtually complete run of official documents and files of the Bolzano mercantile administration, covering the years from the re-organization of the fairs up to the transformation of the mercantile administration into the Bolzano Chamber of Commerce in 1850. These files, deposited in the South Tyrolian *Landesarchiv*, contain valuable information *inter alia* on rates of exchange, as well as protested bills, which have been drawn on for the present analysis.

My paper seeks to address mainly two questions:

1. How did the Bolzano system of exchange relations develop between the seventeenth century, until the abolition of the *Merkantilmagistrat* (Bolzano Mercantile Administration) in 1850?

2. What exactly was the “catchment area” of the Bolzano fairs if seen from the angle of cashless transactions?

The paper consists of two parts. First, a brief overview on the structural preconditions necessary for the development of the Bolzano exchange market in the seventeenth century will be provided. This will be followed by a broad conclusion on Bolzano’s role in the system of international cashless transactions.

Whilst the use of bills of exchange on the Bolzano fairs can be traced since the second half of the sixteenth century, the actual emergence of Bolzano as a financial place of international standing had to wait until the seventeenth century. The Bolzano fairs experienced their first secular upswing during the period of monetary confusion in northern Europe during the 1610s and the subsequent decades (“*Kipper und Wipper-Inflation*”). In times of progressive price inflation due to a wide-spread debasement of currencies, new means for transactions were developed and institutionalized, using financial centres such as Bolzano and her fairs. An existing yet rudimentarily-developed system of cashless payments in Bolzano, which had been in place earlier but marked by irregularity and confusion, was institutionalized, regulated and thus put on firm grounds with the *Claudian Privilege* of 1633/35. Modelled on the example of the large Italian fairs of Genoa and Venice, this legislation was also designed to transform Bolzano into a commercial rival of the latter. The institutions and regulations concerning the settlement of transactions using cashless payments were directly copied from the statutes of the larger financial places of Italy and thus first introduced in the northern European / High German commercial areas. They had a great deal of importance for the development of the Bolzano fairs and the northern system of cashless transactions alike; they continued to do so well into the nineteenth century. The Bolzano *Merkantilmagistrat* for instance became the model for several German statutes regarding the regulation of financial transactions at institutionalized locations. But it has to be noted that the Bolzano fairs were also conservative in some regards, refusing to introduce some of the innovations coming from the northern financial places, such as the transfer of bills by endorsement, which was used and tolerated in Bolzano in the first decades after 1633/35 only, but restricted afterwards and finally banned. Thus Bolzano – in the same way as most of the other Italian financial places – lost a considerable share of her former standing and attraction in international settlements involving the Northern Alpine regions. In consequence the Bolzano fairs handled international transactions to the same level and degree of sophistication during the eighteenth as they had during the seventeenth century – in other words, their development stagnated on a level that initially had marked the high point in the development of European cashless transactions.

1. Exchange rate quotations in Bolzano officially commenced with the St Andrews fair of 1633. As the overview in the table shows, at that time Bolzano’s commercial catchment area as measured by the number of regular exchange quotations, was unspectacular yet stable. This “core market area” would endure for more than a century thereafter. The first augmentation of the Bolzano market area was realized in 1640 when the large Italian financial places of Florence, Milan, Rome, Naples and the Genoese Bisenzone fairs were added and included in the Bolzano exchange quotations. These were followed by only two additions – Bergamo and Ancona - until 1656. Apart from the fact that the fairs in Lyons disappear from the exchange rate notations several times in-between, there was no change between 1656

and 1742. But around 1740 contemporaries felt the need for a change, implemented during the fair of St Bartholomew in 1742, when the first re-organization of the exchange rate quotations took place. The financial places of Italy, as well as the Lyons fairs were now taken out of the official exchange rate quotations that were published weekly. New places were added, including the greater northern European financial place of inter-regional importance, such as Amsterdam, London and Hamburg, as well as some smaller places of regional importance in Central-Eastern Europe, such as Breslau and Prague. Tuscany's financial centre, Leghorn, eventually replaced Florence. 35 years on a further change was implemented by including Paris and abolishing several Italian places, as well as St Gall, in turn from Bolzano's weekly exchange quotations. Somewhat penultimate changes were to happen in 1806 and 1840, when several places were again taken out of the Bolzano quotations list. This took into account the change in appearance and design of the northern European financial system. At the very last, i.e. between 1840 and 1850, only six financial places were left recorded on the Bolzano quotation sheets. These were the two great financial places of northern Europe, London and Paris, as well as those exchange markets of relevance for Bolzano – Augsburg for the Upper German regions, Venice and Milan for Upper Italy – and lastly Vienna for settlements with the Habsburg monarchy. On the basis of this survey one might draw the following conclusions:

1. Bolzano's financial correspondents clustered in two groups. First, there were the financial places of Upper Italy, the Upper German, as well as the Austrian and, yet only temporarily, middle German realms. In Italy, these were first and foremost Venice, and Milan (after the demise of the former) and additionally Verona, perhaps even Bologna, as well, during the seventeenth century. In Germany, Bolzano's main trading partners were Vienna, the Frankfurt and Leipzig fairs, as well as Augsburg and Nuremberg. Only Vienna and Augsburg, however, were quoted regularly until the nineteenth century on the Bolzano rates sheets, Vienna being the political and financial centre of the Habsburg monarchy, and Augsburg because of its function as an intermediary between the economic regions of Upper Germany and Italy. Located in adjacent areas, these places were of senior importance for the Bolzano money market, and compared to them the *second group* of places recorded in the Bolzano rates sheets were only of peripheral importance for Bolzano, even though in terms of international finance they were at the hub of the modern world: Amsterdam, London, Hamburg and Paris. This group also included financial places of middle and southern Italy, as well as Milan, Prague, Wroclaw and the Lyons fairs. St Gall is difficult to assess: whilst initially belonging into the first group it seems as though it was degraded into the second group sometime during the seventeenth century.

2. The re- adjustment of the Bolzano rates sheets in 1742 followed a gravitational shift of the commercial rayon of the Bolzano fairs towards the North. The Italian financial places lost out to German and north-west European markets. From the 1740s at latest cashless transactions settled via Bolzano were orientated towards the German-speaking world and the adjacent areas in the north-west, the innovators and leaders of their time in economic terms. Within the "core" gravitation shifted towards the Upper German and Austrian financial places such as Augsburg and Vienna, which, alongside Venice and since the nineteenth century and until 1850 Milan, became the main focus of transactions handled on the Bolzano exchange market.

2. Whilst an examination of the Bolzano bill rates sheets yields a good overview on the potential range of the Bolzano fairs, indicating the places Bolzano had regular exchange relations with, it does not tell us anything about the factual size of the Bolzano exchange market for cashless transactions. There is a source, however, providing evidence on the latter: the *Wechselprotestbücher* (bill protest account books), preserved for 1733-1761 and 1811-1816. These volumes recorded every bill protested on the Bolzano fairs, totalling about 8,300 in number. For the first years after the Claudian Privilege they testify to the significance and dominance of the Italian merchants, particularly those from Venice on the Bolzano exchange market. In fact the Bolzano fairs, quoted regularly on Venetian (but no other Italian) rate sheets, could arguably be labelled a Venetian exchange market for the period, similarly to the fairs in Verona. In this way the Bolzano fairs had little or no real relevance as yet for European exchange transactions that involved locations north of the Alps. After 1650, however, when the economy of middle Europe recovered from the disastrous impact of the Thirty Years' War, consolidation set in on the Bolzano fairs in terms of cashless transactions. The volume of transactions expanded, and synchronously Upper German and Italian financial places began to gain in importance at Venice's expense. Economic recovery and consolidation led to a further increase in the number of protested bills in Bolzano, especially of bills from Upper and Middle German financial centres. The climax of economic activity on the Bolzano exchange fairs was reached during the first quarter of the eighteenth century, when two somewhat contrary economic developments coincided. The first decade of the century was marked primarily by an expansion of credit, which was due to a general economic expansion. This boom period, however, was followed by a period of stagnation and crisis conditions in international payments and finance, which in turn led to an increase in dishonoured and protested bills. It was the years of 1715 and 1719-21 in particular, which stand out from the series, when general crisis conditions in the European economy adversely affected conditions on the international bill markets, and accordingly led to a critically high level of protested bills on the Bolzano fairs. The number of protests did not decline until 1722, but was accompanied by a relative decline of Bolzano, particularly with regard of the Bolzano fairs' standing and role in international credit transactions. The Bolzano fairs gradually declined from a super-regional market down to a market of only regional significance. This development can be captured in two ways. First, smaller cities and towns that had not previously been of international economic importance, at least in terms of international payments, began to appear on the Bolzano rates sheets at an increasing level. This was a result of a growing permeation of the credit techniques provided by cashless transactions, which spread from the great financial centres down onto the regional level into the larger market towns that had previously been excluded from the international mechanism of exchange and payments. Merchants now became increasingly independent from the financial services provided by the merchant-banking houses (located in the larger financial centres) that were operating internationally and had previously held a virtual monopoly on inter-regional finance and payments. Bills of exchange were now increasingly signed and provided by the individual merchants themselves. Secondly, the larger super-regionally active international merchant bankers of the Venetian Republic, as well as Upper Germany, gradually withdrew from the Bolzano fairs. Obviously Bolzano was not needed as a financial intermediary

any more, handling transalpine cashless payments to the same degree as it had done previously. Towards the mid-eighteenth century the financial rayon of the Bolzano exchange market barely captured Tyrol, the Trentino, Venice, the Emilia Romagna, Upper Suebia and its epicentre, Augsburg, as well as Nuremberg and the Austrian metropolis, Vienna. Bolzano had – at least from the viewpoint of international payments and financial transactions – digressed from an international clearing centre into a regional fair. Bolzano finally became a mere Tyrolean country fair inasmuch as its financial transactions were dominated by its immediate hinterland, i.e. Tyrol and Trentino, whilst places outside this rayon barely featured in the Bolzano rate sheets any more.

Thus it appears as though the factual geographic range of the Bolzano financial market would have been far smaller than suggested by the mere number or range of names published regularly on the rate sheets of the Bolzano exchange fairs. This applies to the entire period under consideration, with varying intensity. Until the early eighteenth century the rayon of the Bolzano exchange fairs had reached into central Italy, Tyrol, into Upper German and Austrian realms including Augsburg, Vienna and Nuremberg. Bills of exchange were also drawn on or involved relatively adjacent economic areas, such as Trentino (silk production concentrated around Rovereto), Suebia and the north-eastern Swiss Alps (cotton textile production), as well as Franconia (dominated by metal working) and the Thuringian textile working areas. These bills, however, were decidedly less important in terms of their share in total bill transactions handled in Bolzano. Regions such as Switzerland, Saxony, Silesia, as well as Middle and Southern Italy may therefore said to have belonged to the periphery – at least if seen from the angle point of the Bolzano exchange market, as reflected in the number and composition of protested bills recorded in the preserved accounts. These transactions never exceeded four per cent of total transactions, frequently far less, so that they can usually be said to have been marginal, even though the Bolzano rate sheets regularly quoted such “marginal” places on the periphery, at least until 1742. There are several financial places which do not or only barely appear at all in the records of protested bills, such as Ancona, the Bisenzone and Lyons fairs, which are absent from the records of protested bills, or Frankfurt-on-the-Main, Naples, Rome and Piacenza, which feature only a handful of times in these records. It needs to be assumed that a similar scenario applied to those large financial places that only began to be recorded regularly on the Bolzano rate sheets from the second half of the eighteenth century onwards, such as Amsterdam, London and Hamburg.

There are two possible explanations for this somewhat remarkable situation. First, it may well be that merchants acting in Bolzano had an interest on bills that were regularly drawn on certain places without there being the need of reciprocal financial streams that involved bills to be drawn from these places *on* Bolzano. If that were the case, bills from these places drawn on Bolzano had rarely to be protested – which would explain their near complete absence from the Bolzano accounts of protested bills. It would mean that less bills were drawn on, rather than from, Bolzano from the larger international financial centres of Europe. This would have been the case if payments were due for commodities purchased in these larger centres, for instance on fairs that were close in time to Bolzano within the international cycle of commodity and payments transfers on the large European fairs, such as Frankfurt-on-the-Main, Leipzig or Lyons. Thus, Bolzano was much more important as a place *from* which

bills were drawn, rather than being a place *where* bills became due. It would then have been a “regional fair with partially super-regional importance” – Brunswick is another good example of this type of commercial fair. The fact that the majority of large European fairs, apart from Venice and Vienna, did not usually quote Bolzano on their rates sheets, lends this thesis some support. In other words, large merchants operating from the larger European financial centres hardly ever felt the need to draw bills on Bolzano and thus did not need a regular quotation of a bill rate on Bolzano.

Secondly, it was common practice in the early modern period to record certain places on rate sheets which had formerly been frequented regularly, even if these places had long fallen out of use in the international payments mechanism or were hardly resorted to in general (any more). Frequently a long time passed between the date when such places initially lost their commercial importance and the day they were taken out of the Bolzano rate sheets, as was the case in 1742.

Thus an examination of the Bolzano fairs and their rayon in terms of bills of exchange, based on the rate sheets published weekly, as well as the accounts of protested bills, afford the following conclusions:

1. Within the “concert of European commercial fairs” Bolzano was a regional fair with a partially developed super-regional importance. It connected Italy with the Upper German areas in terms of exchange transactions; yet it retained no real significance within the European system of payments and cashless transactions. Contrary to most other regional fairs, however, Bolzano managed to retain this role for two centuries without digressing into a regional fair. It only reached this local status from the beginning of the nineteenth century onwards. In terms of cashless transactions the Bolzano fairs had their heydays during the seventeenth and early eighteenth centuries, synchronously to the Venetian fairs’ Indian summer. In a sense the Bolzano bill fairs were Venice’s extended northern arm. From the 1720s onwards, commercial activity on the Bolzano exchange fairs concentrated more and more on Germany and the German-speaking areas north of the Alps. During the nineteenth century they became mere Tyrolean country fairs, but still handled Tyrol’s otherwise non-existing connections to the international and super-regional system of payments. The Bolzano fairs did not develop into a great financial place of real super-regional importance, as did Frankfurt-on-the-Main and Lyons during the eighteenth or the Leipzig fairs during the nineteenth century. But at least until 1850 the Bolzano fairs fulfilled their purpose of connecting “their” economic area – mainly Tyrol – to the international system of payments and cashless transactions.

2. When comparing Bolzano with the rate sheets of the major European financial centres it becomes clear that between 1633 and 1850 Bolzano recorded a fair number of places on a regular basis. Yet the Bolzano fairs were hardly ever recorded in the rate sheets of the major financial centres of Europe, i.e. bills were hardly ever drawn on Bolzano. The longest and most important notation of a bill rate on Bolzano was in Venice; sometimes the Bisenzone fairs, Vienna, St Gall, Augsburg and Nuremberg would also have a bill rate on Bolzano, but with a fair degree of irregularity. Thus Bolzano was at a partially advanced stage within the process of financial integration of Europe during the early modern period, without reaching the stage of full integration, which would also have required regular bill rates on it, rather than merely from it, at least from the large European financial centres handling the growing volume of international cashless payments. During the seventeenth and early

eighteenth century, when bills of exchange on Bolzano were quoted regularly only in Venice – being an international financial market, possibly Augsburg and St Gall, as well, this stage of (financial) development may thus be labelled as “transition toward complete financial integration”. But during the further course of the eighteenth century, when rates from Venice and Vienna on Bolzano were quoted only irregularly, one would rather have occasion to speak of a close link-up, rather than financial integration. From an international viewpoint therefore, it seems as though the Bolzano fairs after 1720 became progressively disintegrated from the international system of payments, in proportion to the decreasing frequency of its notation on the rate sheets of foreign financial places. During the later 1700s, as well as the first half of the nineteenth century the Bolzano fairs remained only loosely tied to the international system of cashless transactions, as they were recorded by no international financial centre any more.

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